

Addressing Neighborhood Issues

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Although the Assisted Living industry has become a national phenomenon, there remain those who are concerned about the economic and community impact at the local level. Thus, it is important for developers, owners and operators to have a strong understanding of the issues or perceptions that exist regarding development of Assisted Living, as well as enumerate the positive economic benefits inherent in Assisted Living residences.

Understanding the Perceptions Surrounding Development

Every type of development, including Assisted Living, has a unique impact on the character and economy of a community. Similarly, each individual project inherits a set of perceptions that are typically shaped by the experiences, attitudes and assumptions prevalent within that community. Regardless of the nature of the development, however, each new construction project has the potential to evoke community concerns about whether the change being effected is detrimental to the neighborhood.

The Assisted Living Federation of America (“ALFA”) receives numerous inquiries annually regarding the impact of Assisted Living development on local housing values, traffic patterns and the character of the neighborhood. These concerns are not considered unique to Assisted Living residences, but instead represent some of the various concerns that arise during any construction project. With regard to Assisted Living development in particular, though, the areas considered of greatest importance to developers and local residents alike are as follows:

- Identifying the pertinent issues or objections that surround a proposed Assisted Living residence; and
- Recognizing the economic contribution of an Assisted Living residence to a community at large, inclusive of specific homeowner concerns.

Identifying the Issues Related to Assisted Living Development

With any type of construction activity, whether residential, commercial or industrial, there are various questions that may arise in the surrounding community regarding the necessity and desirability of the proposed development. There is a greater tendency for such objections to arise in residential areas, since these areas typically are preferred by Assisted Living operators. Therefore, it is important that developers recognize these issues in the early stages of the development process and be prepared to address them.

However, it is also important to distinguish between actual development-related issues and simple misconceptions regarding Assisted Living. In doing so, an Assisted Living project can be presented in light of its contribution and purpose within a local community, while still adequately addressing the objections. This allows for the development to be a collaborative effort between the development team and the community, especially residents and families who will benefit from the services offered by the new residence.

During the first quarter of 2000, Herman/Turner Group surveyed Assisted Living developers and operators. These individuals represented local, regional and national Assisted Living providers, who were asked to comment on typical concerns raised by opponents of new developments. The following points identify these concerns and, where possible, each issue will be addressed in the next section.

- ***“How will the community be improved or benefit by developing this Assisted Living project?”*** In general, local residents want to know the value of the new residence to themselves and their community. This includes the impact on the local economy, such as employment opportunities, and on adult children and senior populations.
- ***“What impact will the residence have on real estate taxes and municipal services?”*** Similar to other forms of development, neighbors are often concerned with tax implications, including property taxes and assessments. This is sometimes related to misconceptions regarding the operation of an Assisted Living residence, including assumptions that it will be a tax-exempt, non-profit organization serving an entirely indigent population. Similarly, there are often concerns about burdening the local municipal services, including water, sewer, electric and waste removal.
- ***“What type of population does the Assisted Living residence intend to serve?”*** This concern is often the result of limited consumer understanding about Assisted Living. In many instances, it is fostered by a belief that Assisted Living residents will need constant medical attention, frequent emergency services or ambulance transportation. Additionally, local residents sometimes express concern over wandering residents. Overall, these concerns call for better understanding of the benefits provided by Assisted Living communities, differentiation from other long-term care options and, in many cases, education on the basic concept of Assisted Living.
- ***“What impact will the residence have on traffic?”*** It is common for new development projects to draw criticism regarding increased traffic. This concern may only be reinforced as development begins and construction materials and workers are assembled to complete the project. However, residents may also want to know the long-term traffic impact.
- ***“How will the residence impact housing values in the surrounding neighborhood?”*** No definitive studies exist to quantify the answer to this question. Coupled with this issue is the concern that the building design will be incompatible with the neighborhood. These issues are particularly prevalent for Assisted Living projects, since they are primarily located in residential settings or areas transitioning from residential to retail.

Recognizing the Economic Contributions of Assisted Living Development

In spite of the objections that arise, there are numerous economic contributions attributable to the development of an Assisted Living project. In 1999, the National Association of Home Builders (“NAHB”) published a study summarizing its proprietary model for measuring the economic activity generated by residential construction.

While the NAHB model is designed for single- and multi-family development projects, the principles are also applicable to Assisted Living projects. According to the model, the relevant development phases are as follows:

<i>Phase of Development</i>	<i>Description of Economic Activity in Each Phase</i>
<i>Phase I: Construction</i>	<i>Jobs, wages and local taxes generated by the actual development, construction and sale of the home. Includes on- and off-site construction, as well as retail and wholesale components, transportation to the site and professional services.</i>
<i>Phase II: Ripple Effect</i>	<i>Wages and profits distributed during the construction period are spent by local workers and business owners. This income is continually recycled throughout the community.</i>
<i>Phase III: Annual Impact</i>	<i>Approximately 30 percent of the income of new residents is spent on locally-produced items, which in turn causes reinvestment of income via a ripple effect.</i>

**Source: "The Local Impact of Home Building in Average City, USA", NAHB, February 1999*

The development phases presented in the NAHB study can be used to categorize the economic contributions of an Assisted Living residence. Although some of these impacts are universal for new development, a number can be uniquely applied to Assisted Living:

- ***“Benefits the local market by creating an infusion of spending”*** During the construction phase, money is invested in the community through the purchase of land and the initial purchase of professional services, such as architectural, engineering and construction services, as well as labor, utilities and construction materials. A percentage of the earnings generated through the construction and, more importantly, after the residence opens, is re-invested in the local marketplace as laborers and employees spend their income on available goods and services.
- ***“Improves the community by increasing employment and income tax bases”*** Historically, the Assisted Living industry has demonstrated a proven track record for financial performance. New developments create a temporary influx of new jobs during construction, followed by permanent employment opportunities. Based on a study of the expenses and staffing of ALFs conducted by the Herman/Turner Group during November 1999, the average Assisted Living operation employed 35.7 full-time equivalents.¹ Therefore, the contribution to the employment base and resulting income taxes are positive, bringing healthcare professionals, caregivers and related laborers into the community.

¹ The Herman/Turner Group study encompassed 89 AL residences, with 40 containing fewer than 60 units; 28 containing 60 to 100 units; and 21 containing greater than 100 units.

In addition, operation of an Assisted Living residence can attract supportive services required by residents. Among the supportive services that may be required are physician visits and check-ups, pharmacy and related products, home healthcare and, in certain cases, rehabilitative therapies. These services are beneficial and necessary to the community, and contribute to the retail and professional base in the surrounding neighborhood.

- ***“Contribute significantly to the property tax base of the community”*** The median property tax contribution of an Assisted Living residence is \$695 per unit each year. Applying the median building size of 60 units, this equates to median property taxes of approximately \$42,000.² This represents a substantial contribution to the property taxes of an average municipality. The development of an Assisted Living residence can be preferable to neighbors than other, more intensive and less residential alternatives.

Construction of an Assisted Living residence usually adheres to well-defined development standards established by the municipal government. These guidelines can include impact studies, which help determine the impact of the development on traffic, surrounding properties and utilities, among others; zoning and building permits that define the parameters of the construction project, including interior and exterior design, facility size, building setbacks, construction timing and related aspects; and tap-in fees, which the developer must often pay to tie the project to existing or proposed utilities, including water, sewer, electrical and telephone services. Coupled with the cost of meeting these development standards, Assisted Living residences also pay for municipal services consumed, similar to any form of development that occurs.

- ***“Adequately serve the needs of seniors in the community.”*** In many markets, nursing facilities have historically been the only option available to address the long-term care needs of seniors. However, the growth of the Assisted Living industry has allowed more cost-effective services to be delivered in a homelike setting. The increased number of Assisted Living residences also allows more seniors to remain within their community. In fact, ALFA’s most recent survey of Assisted Living providers indicated that approximately 84 percent of residents are attracted from 25 miles or less, and approximately 52.6 percent relocated from a private residence.

In many cases, providers also offer Alzheimer’s and dementia-related Assisted Living, providing seniors with an alternative to nursing facilities. These specialized programs, coupled with specially-designed residential settings, have helped reduce much of the stigma often associated with traditional long-term care settings. This stigma becomes especially apparent when considering that the average age of most nursing facilities is greater than 20 years old.

² According to the American Seniors Housing Association and PricewaterhouseCoopers LLP study, entitled *1999 State of Seniors Housing*

- **“Have a relatively low impact on traffic generation in the neighborhood”** Assisted Living residences generate a relatively low volume of traffic in comparison to single-family housing and apartment complexes.³ Assisted Living residents do not typically drive, which is reflected in parking requirements below those of other property types; employees are usually full-time personnel scheduled to arrive and depart during non-peak driving hours; visitors generally arrive and depart throughout the day; service vendors are usually contracted to make deliveries during non-peak driving hours, and operators typically own a van or mini-bus for resident transportation needs.⁴

Employee vehicles generate 56 percent of the traffic at an Assisted Living residence (0.97 daily trips/unit) and visitor vehicles generate 29 percent (0.50 daily trips/unit). Service vehicles, which produce 0.26 trips per unit on a daily basis, generate the remaining 15 percent of the traffic.⁵ Overall, the majority of Assisted Living residences are located in established residential neighborhoods or those transitioning from residential to retail, are in close proximity to public transportation, and provide local transportation to residents.

With regard to the impact of ALFs on local housing values, there are no definitive studies that have sought to make such an estimate. However, the residential characteristics of a freestanding Assisted Living residence, coupled with the positive economic contributions of the business component, clearly can be considered positive factors for any neighborhood.

Given the positive influences and benefits of Assisted Living, as well as the array of concerns that exist, it is imperative for Assisted Living developers and providers to consider and address the community early in the development process. By making the development project a collaborative effort and demonstrating a reasonable degree of flexibility in the design and programming of the facility, an Assisted Living residence can become a community centerpiece that is welcomed by local residents. The benefits related to the project need to be understood, in order to show community members the advantage of embracing such development. Additionally, the Assisted Living residence is becoming an increasingly integral part of the care continuum, which is experiencing an increased level of acceptance from healthcare networks, physicians, families and, most importantly, from consumers.

³ American Seniors Housing Association study entitled, *Assisted Living Residences: A Study of Traffic & Parking Implications*, 2nd Edition, 1998

⁴ Same as previous

⁵ Same as previous